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SUBJECT: EGYPT'S ECONOMY: JUNE 22 WEEKLY PRESS ROUND-UP

REF: N/A

¶11. (U) The following are notable economic news stories that appeared over the past week in the Egyptian press:

Central Bank Cuts Interest Rates

¶12. (U) The Central Bank of Egypt's Monetary Policy Committee (MPC) decided June 18 to cut both the benchmark overnight deposit and overnight lending rates by 50 basis points to 9% and 10.5%, respectively. The discount rate was also cut by 50 basis points to 9%. This is the fourth time that the MPC has cut interest rates this year. In its statement, the MPC indicated that, with slowing domestic growth and declining inflation, it would continue to take measures to contain the effects of the global economic crisis, so long as they do not conflict with price stability objectives. (Ahram and CI-Capital, 6/20/2009 and 6/21/2009)

Tourism Revenue Declines

¶13. (U) Egypt's revenue from tourism fell 17.3% to US\$2.19 billion in the third quarter of FY2008/09 compared to the same period during the previous fiscal year. The hotel industry was particularly hard hit. The Chairman of the Egyptian Hotel Association in South Sinai, Ahmed Balbaa, stated that revenues of Egyptian hotels declined by 30-40% over the past nine months due to the global economic slowdown. Wassim Mohieldin, Chairman of the Egyptian Hotel Association, said that 90% of Egypt's hotels have reduced their prices, which has contributed to lower tourism revenues. (Al Mal, 6/17/2009)

Natural Gas Subsidies Slashed

¶14. (U) Reports indicate that the Government of Egypt has reduced natural gas subsidies in the coming year's budget by 77%, from LE6.5 billion (US\$1.16 billion) to LE1.5 billion (US\$268 million). At the same time, the Ministry of Finance has reportedly ruled out raising the prices of electricity and water before this year's growth rate targets are achieved. (Al Masry Al Youm, 6/15/2009)

Unemployment Rises

¶15. (U) The Government of Egypt announced that the unemployment rate rose to 9.3% from 8.6% during the first quarter of 2009. The official report, which studies the impact of the global economic crisis on Egypt, also pointed to a 15% decline in remittances during the same period, as well as declines in tourism revenues, domestic consumption, and private sector growth. Presented by the Minister for Economic Development, Othman Mohamed Othman, the report

attributes the rise in unemployment to both increasing numbers of Egyptian workers returning from abroad and increasing layoffs domestically. It also indicated that food prices remain high despite declining inflation, and that Suez Canal revenues, while down sharply compared to last year, have started to improve slightly. (Al Masry Al Youm, 6/14/2009)

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